

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Hennrich A. Berthiaume</i>	Printed Name		License Number	

TOWNSHIP OF FREDERIC

Crawford County, Michigan

FINANCIAL STATEMENTS

June 30, 2008

TOWNSHIP OF FREDERIC

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INDEPENDENT AUDITORS' REPORT

To the Township Board
Frederic Township,
Crawford County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Frederic as of and for the year ended June 30, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Frederic's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Frederic, as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedules as identified in the table of contents are not a required part of the basic financial statements but are supplemental information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Frederic's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be part of, the basic financial statements.

Berthiaume & Co.

October 20, 2008

BASIC FINANCIAL STATEMENTS

TOWNSHIP OF FREDERIC

STATEMENT OF NET ASSETS

June 30, 2008

Assets:

Cash and investments	\$ 456,934
Receivables	45,045
Capital assets:	
Depreciable capital assets, net	<u>988,809</u>
Total assets	<u>1,490,788</u>

Liabilities:

Accounts payable and accrued expenses	13,839
Long-term liabilities:	
Due within one year	30,000
Due in more than one year	<u>52,907</u>
Total liabilities	<u>96,746</u>

Net assets:

Invested in capital assets, net of related debt	905,902
Unrestricted net assets	<u>488,140</u>
Total net assets	<u>\$ 1,394,042</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF FREDERIC

STATEMENT OF ACTIVITIES

Year Ended June 30, 2008

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
General government	\$ 145,721	\$ 26,891	\$ 11,122	\$ -	\$ (107,708)
Public safety	240,552	103,770	39,575	3,994	(93,213)
Public works	119,636	107,280	11,465	-	(891)
Community and economic development	34,285	-	-	-	(34,285)
Recreation and culture	8,921	-	-	-	(8,921)
Interest on long-term debt	6,146	-	-	-	(6,146)
Total governmental activities	<u>555,261</u>	<u>237,941</u>	<u>62,162</u>	<u>3,994</u>	<u>(251,164)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purpose					50,114
Property taxes, levied for fire protection					114,447
Grants and contributions not restricted to specific programs					122,479
Unrestricted investment earnings					<u>3,906</u>
Total general revenues and contributions					<u>290,946</u>
Change in net assets					39,782
Net assets, beginning of year					<u>1,354,260</u>
Net assets, end of year					<u>\$ 1,394,042</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF FREDERIC

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2008

	General Fund	Fire and Ambulance Fund	Trash Collection Fund	Nonmajor Governmental Fund	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 109,751	\$ 159,958	\$ 171,673	\$ 15,552	\$ 456,934
Accounts receivable	-	9,560	-	-	9,560
Due from other governmental units	<u>31,451</u>	<u>4,034</u>	<u>-</u>	<u>-</u>	<u>35,485</u>
 Total assets	<u><u>\$ 141,202</u></u>	<u><u>\$ 173,552</u></u>	<u><u>\$ 171,673</u></u>	<u><u>\$ 15,552</u></u>	<u><u>\$ 501,979</u></u>
 Liabilities and Fund Balances:					
<i>Liabilities:</i>					
Accounts payable	\$ 2,676	\$ 7,772	\$ -	\$ 990	\$ 11,438
Accrued expenses	<u>2,283</u>	<u>86</u>	<u>12</u>	<u>20</u>	<u>2,401</u>
 Total liabilities	<u>4,959</u>	<u>7,858</u>	<u>12</u>	<u>1,010</u>	<u>13,839</u>
 <i>Fund balances:</i>					
Unreserved:					
General fund	136,243	-	-	-	136,243
Special revenue funds	<u>-</u>	<u>165,694</u>	<u>171,661</u>	<u>14,542</u>	<u>351,897</u>
 Total fund balances	<u>136,243</u>	<u>165,694</u>	<u>171,661</u>	<u>14,542</u>	<u>488,140</u>
 Total liabilities and fund balances	<u><u>\$ 141,202</u></u>	<u><u>\$ 173,552</u></u>	<u><u>\$ 171,673</u></u>	<u><u>\$ 15,552</u></u>	<u><u>\$ 501,979</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF FREDERIC

RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

June 30, 2008

Total fund balances for governmental funds \$ 488,140

Total net assets reported for governmental activities in the statement of
of net assets is different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the governmental funds.

Governmental capital assets	1,771,042	
Less accumulated depreciation	<u>(782,233)</u>	988,809

Long-term liabilities are not due and payable in the current year and
therefore are not reported in the governmental funds:

Installment purchase contract	<u>(82,907)</u>
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Net assets of governmental activities \$ 1,394,042

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF FREDERIC

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2008

	<u>General Fund</u>	<u>Fire and Ambulance Fund</u>	<u>Trash Collection Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Property taxes	\$ 71,677	\$ 114,447	\$ -	\$ -	\$ 186,124
Licenses and permits	25	-	-	18,330	18,355
Federal grants	438	-	-	-	438
State grants	125,794	-	-	-	125,794
Contributions from other units	10,684	39,575	-	-	50,259
Charges for services	2,754	84,547	107,280	-	194,581
Interest and rents	3,906	-	-	-	3,906
Other revenue	11,179	4,407	-	-	15,586
	<u>226,457</u>	<u>242,976</u>	<u>107,280</u>	<u>18,330</u>	<u>595,043</u>
Total revenues					
Expenditures:					
<i>Current:</i>					
General government	108,932	-	-	-	108,932
Public safety	-	159,796	-	13,300	173,096
Public works	9,132	-	110,049	-	119,181
Community and economic development	34,003	-	-	-	34,003
Recreation and culture	4,104	-	-	-	4,104
Other	34,363	-	-	-	34,363
Capital outlay	3,688	18,545	-	-	22,233
Debt service					
Principal	-	37,093	-	-	37,093
Interest and fees	-	6,146	-	-	6,146
	<u>194,222</u>	<u>221,580</u>	<u>110,049</u>	<u>13,300</u>	<u>539,151</u>
Total expenditures					
Excess (deficiency) of revenues over expenditures	32,235	21,396	(2,769)	5,030	55,892
Fund balances, beginning of year	<u>104,008</u>	<u>144,298</u>	<u>174,430</u>	<u>9,512</u>	<u>432,248</u>
Fund balances, end of year	<u>\$ 136,243</u>	<u>\$ 165,694</u>	<u>\$ 171,661</u>	<u>\$ 14,542</u>	<u>\$ 488,140</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF FREDERIC

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

June 30, 2008

Net change in fund balances - total governmental funds \$ 55,892

Total change in net assets reported for governmental activities in the statement
of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of those assets is depreciated over their
estimated useful lives and reported as depreciation expense.

Capital outlay	10,412	
Less depreciation expense	<u>(63,615)</u>	(53,203)

Repayments of principal on long-term debt are expenditures in governmental
funds, but the payments reduce long-term liabilities in the
statement of net assets.

37,093

Change in net assets of governmental activities \$ 39,782

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF FREDERIC

FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
June 30, 2008

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 1,224
 Total assets	 <u>1,224</u>
Liabilities	
Accounts payable	<u>1,224</u>
 Total liabilities	 <u>1,224</u>
Net Assets	
Unrestricted	<u>-</u>
 Total net assets	 <u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF FREDERIC

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township of Frederic (the Township) is located in Crawford County, Michigan. The Township operates under an elected Board of Trustees and provides services to more than 1,400 residents, primarily from the operations of its General Fund and Special Revenue Funds. The Township's services include general township departments and boards, roads, fire protection and ambulance service, liquor law enforcement, trash collection and library services.

The accounting policies of the Township of Frederic conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity:

The Township has adopted the position of Government Accounting Standards Board Statement 14 regarding the definition of the "reporting entity". The basic criterion for including a governmental organization in a governmental unit's financial report is the exercise of oversight responsibility over such agencies by the governmental unit's elected officials. The manifestations of such oversight responsibility are financial interdependency, selection of governing authority, designation of management, ability of significant influencing operations and accountability for fiscal matters.

The Township, accordingly, has no component units to report in its financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the Township.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

TOWNSHIP OF FREDERIC

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

The statement of activities reports both the gross and net cost of each of the Township's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Township does not allocate indirect costs. In creating the government-wide financial statements the Township has eliminated interfund transactions.

The government-wide focus is on the sustainability of the Township as an entity and the change in the Township's net assets resulting from current year activities.

Fund Financial Statements:

Separate financial statements are provided for governmental funds and fiduciary fund, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Fiduciary funds are accounted for on a spending or economic resources measurement focus and the accrual basis of accounting as are the proprietary funds.

The Township reports the following major governmental funds:

General Fund – The General Fund is the primary operating fund of the Township. It is used to account for all financial resources, except for those required to be accounted for in another fund.

Fire and Ambulance Fund – The Fire and Ambulance Fund is used to account for a tax levy used to provide fire protection and ambulance services to the residents.

Trash Collection Fund – The Trash Collection Fund is used to account for a special assessment levy used to provide trash collection to the residents.

TOWNSHIP OF FREDERIC

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

Assets, Liabilities and Equity:

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Interfund Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Township defines capital assets as assets with an initial individual cost in excess of \$1,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are capitalized if acquired after April 1, 2004. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-50 years
Equipment	5-25 years
Furniture and equipment	5-25 years
Site improvements	15-25 years
Vehicles	10-25 years

Compensated Absences – The Township does not allow the carryover of unused sick or vacation days.

Long-term Obligations – In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

TOWNSHIP OF FREDERIC

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

Eliminations and Reclassifications:

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

Property Taxes:

Township property taxes are attached as an enforceable lien on property as of December 1 and are due without penalty before February 15. These tax bills include the Township’s own property taxes and taxes billed on behalf of the school district within the Township limits. Real property taxes not collected as of March 1 are turned over to Crawford County for collection, which advances the Township 100 percent of the delinquent taxes. .

The 2007 taxable valuation of the Township totaled \$56,215,121, on which ad valorem taxes levied consisted of .8622 mills for the Township’s operating purposes and 1.9739 mills for fire protection.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information:

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Township Supervisor submits to the Township Board a proposed operating budget by June 30 of each year. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted by adoption of the Township Board.
4. Any revision that alters the total expenditures of any fund must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as originally adopted and amended by the Township Board is included in the required supplemental information.
7. All annual appropriations lapse at fiscal year end.

Excess of Expenditures Over Appropriations in Budgeted Funds:

During the year, the Township did not incur expenditures that were in excess of the amounts budgeted.

TOWNSHIP OF FREDERIC

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

NOTE 3: DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Custodial Credit Risk of Bank Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. The Township does not have a deposit policy for custodial credit risk. At year-end, the Township had \$463,009 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$102,249 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. At year end, the Township had no investments.

The Townships deposits are in compliance with statutory authority.

NOTE 4: CAPITAL ASSETS

Primary Government capital asset activity for the year ended June 30, 2008 was as follows:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Retirements</i>	<i>Ending Balance</i>
Governmental activities:				
Depreciable capital assets:				
Buildings and improvements	\$ 771,210	\$ -	\$ -	\$ 771,210
Equipment	156,020	10,412	-	166,432
Vehicles	833,400	-	-	833,400
	1,760,630	10,412	-	1,771,042
Accumulated depreciation	(718,618)	(63,615)	-	(782,233)
Governmental activities, capital assets, net	<u>\$ 1,042,012</u>	<u>\$ (53,203)</u>	<u>\$ -</u>	<u>\$ 988,809</u>

TOWNSHIP OF FREDERIC

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$	2,426
Public safety		56,155
Public works		455
Community and economic development		282
Recreation and culture		<u>4,297</u>
Total governmental activities	\$	<u><u>63,615</u></u>

NOTE 5: LONG-TERM DEBT

The Township issues notes and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment.

Long-term liabilities at June 30, 2008 consisted of the following:

<u><i>Types of Indebtedness</i></u>	<u><i>Maturity</i></u>	<u><i>Interest Rate</i></u>	<u><i>Annual Principal Installments</i></u>	<u><i>Original Loan Amount</i></u>	<u><i>Outstanding at Year-End</i></u>
<i>Installment Purchase Contract:</i>					
2007 Issue - Fire Truck	2/15/09-1/15/11	4.74%	\$22,907-\$30,000	\$120,000	\$ 82,907

The following is a summary of long-term liabilities transactions for the year ended March 31, 2008:

	<u><i>Beginning Balance</i></u>	<u><i>Additions</i></u>	<u><i>Retirements</i></u>	<u><i>Ending Balance</i></u>	<u><i>Due Within One Year</i></u>
<i>Installment Purchase Contracts:</i>					
2007 Issue - Fire Truck	\$ 120,000	\$ -	\$ (37,093)	\$ 82,907	\$ 30,000
	<u>120,000</u>	<u>-</u>	<u>(37,093)</u>	<u>82,907</u>	<u>30,000</u>
	<u>\$ 120,000</u>	<u>\$ -</u>	<u>\$ (37,093)</u>	<u>\$ 82,907</u>	<u>\$ 30,000</u>

Annual debt service requirements to maturity for the above contractual obligations are as follows:

<u><i>Year Ended June 30,</i></u>	<u><i>Principal</i></u>	<u><i>Interest</i></u>	<u><i>Total</i></u>
2009	\$ 30,000	\$ 3,395	\$ 33,395
2010	30,000	2,543	32,543
2011	<u>22,907</u>	<u>1,007</u>	<u>23,914</u>
	<u>\$ 82,907</u>	<u>\$ 6,945</u>	<u>\$ 89,852</u>

The Township's interest expense for the year ended June 30, 2008 was \$6,146.

TOWNSHIP OF FREDERIC

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

NOTE 7: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end for the Township's governmental activities in the aggregate are as follows:

Receivables:

Accounts	\$ 9,560
Intergovernmental	<u>35,485</u>
Total receivables	<u>\$ 45,045</u>

Accounts payable and accrued expenses:

Accounts	\$ 11,438
Payroll and related liabilities	<u>2,401</u>
Total accounts payable and accrued expenses	<u>\$ 13,839</u>

NOTE 8: RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance to cover any potential claims associated with these risks. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

NOTE 9: CONTRACTUAL AGREEMENTS

In addition to providing fire and ambulance services to its residents, the Township provides the same services to the residents of Maple Forest Township pursuant to a contractual agreement. The agreement is renewed annually. The charge for the services is based on the State Equalized Valuation of Maple Forest Township and the current fire and ambulance millage rate of the Township of Frederic. The Township received \$39,575 from Maple Forest Township for those services for the year ended June 30, 2008.

The Township has contracted for trash collection services with Waste Management. Trash collection is conducted weekly and the Township is billed approximately \$8,500 per month for route collections.

TOWNSHIP OF FREDERIC

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

NOTE 10: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Defined Contribution Pension Plan:

The Township maintains a single employer defined contribution plan for elected Township officials. The Township contributes a variable amount of covered payroll annually, based on a formula related to the level of annual compensation. Vesting is immediate and complete (100%) from the date of contribution, subject to early withdrawal fees. The Township plan invests its contributions with Manulife Financial.

As of June 30, 2008, the pension plan's membership was three employees. The total amount of covered payroll for the year ended June 30, 2008 was \$36,142. Total payroll for the same period was \$131,745. Contributions to the Township plan during the year ended June 30, 2008 was \$3,904.

Distribution will be made upon separation or any date subsequent to separation and before age 70 ½ at the request of the employee, or at age 70 1/2, whichever is later.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contribution to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account.

Post Employment Benefits:

The Township has no post employment benefits other pension plan.

REQUIRED SUPPLEMENTAL INFORMATION

TOWNSHIP OF FREDERIC

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2008

	Budgeted Amounts			Actual
	Original	Final	Actual	Over (Under)
				Final Budget
Revenues:				
Property taxes	\$ 73,500	\$ 73,500	\$ 71,677	\$ (1,823)
Licenses and permits	2,000	2,000	25	(1,975)
Federal grants	-	-	438	438
State grants	104,500	104,500	125,794	21,294
Contributions from other units	11,000	11,000	10,684	(316)
Charges for services	21,800	21,800	2,754	(19,046)
Interest and rents	7,500	7,500	3,906	(3,594)
Other revenue	17,000	17,000	11,179	(5,821)
	<u>237,300</u>	<u>237,300</u>	<u>226,457</u>	<u>(10,843)</u>
Total revenues				
	<u>237,300</u>	<u>237,300</u>	<u>226,457</u>	<u>(10,843)</u>
Expenditures:				
<i>Current:</i>				
General government	109,660	109,660	108,932	(728)
Public works	9,200	9,200	9,132	(68)
Community and economic development	34,075	34,075	34,003	(72)
Recreation and culture	4,150	4,150	4,104	(46)
Other	34,400	34,400	34,363	(37)
Capital outlay	4,000	4,000	3,688	(312)
	<u>195,485</u>	<u>195,485</u>	<u>194,222</u>	<u>(1,263)</u>
Total expenditures				
	<u>195,485</u>	<u>195,485</u>	<u>194,222</u>	<u>(1,263)</u>
Excess (deficiency) of				
revenues over expenditures	41,815	41,815	32,235	(9,580)
Fund balance, beginning of year	<u>104,008</u>	<u>104,008</u>	<u>104,008</u>	<u>-</u>
Fund balance, end of year	<u>\$ 145,823</u>	<u>\$ 145,823</u>	<u>\$ 136,243</u>	<u>\$ (9,580)</u>

TOWNSHIP OF FREDERIC

SPECIAL REVENUE FUND – FIRE AND AMBULANCE FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2008

	Budgeted Amounts			Actual
	Original	Final	Actual	Over (Under) Final Budget
Revenues:				
Property taxes	\$ 95,000	\$ 95,000	\$ 114,447	\$ 19,447
Contributions from other units	38,000	38,000	39,575	1,575
Charges for services	100,000	100,000	84,547	(15,453)
Other revenue	40,000	40,000	4,407	(35,593)
Total revenues	273,000	273,000	242,976	(30,024)
Expenditures:				
<i>Current:</i>				
Public safety	185,200	185,200	159,796	(25,404)
Capital outlay	40,000	40,000	18,545	(21,455)
Debt service				
Principal	40,000	40,000	37,093	(2,907)
Interest and fees	7,500	7,500	6,146	(1,354)
Total expenditures	272,700	272,700	221,580	(51,120)
Excess (deficiency) of revenues over expenditures	300	300	21,396	21,096
Fund balance, beginning of year	144,298	144,298	144,298	-
Fund balance, end of year	\$ 144,598	\$ 144,598	\$ 165,694	\$ 21,096

TOWNSHIP OF FREDERIC

SPECIAL REVENUE FUND – TRASH COLLECTION FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2008

	Budgeted Amounts			Actual
	Original	Final	Actual	Over (Under) Final Budget
Revenues:				
Charges for services	\$ 135,000	\$ 135,000	\$ 107,280	\$ (27,720)
Total revenues	135,000	135,000	107,280	(27,720)
Expenditures:				
<i>Current:</i>				
Public works	112,725	112,725	110,049	(2,676)
Total expenditures	112,725	112,725	110,049	(2,676)
Excess (deficiency) of revenues over expenditures	22,275	22,275	(2,769)	(25,044)
Fund balance, beginning of year	174,430	174,430	174,430	-
Fund balance, end of year	<u>\$ 196,705</u>	<u>\$ 196,705</u>	<u>\$ 171,661</u>	<u>\$ (25,044)</u>

OTHER SUPPLEMENTAL INFORMATION

TOWNSHIP OF FREDERIC

GENERAL FUND

DETAILED SCHEDULE OF REVENUES

Year Ended June 30, 2008

Current Taxes:

Property taxes	\$ 50,114
Administration fees	<u>21,563</u>
	<u>71,677</u>

Licenses and permits:

Nonbusiness licenses and permits	<u>25</u>
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Federal grants:

U.S. Fish and Wildlife Services	<u>438</u>
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State Grants:

State revenue sharing - sales tax	97,745
Metro Act	3,315
Swamp tax	<u>24,734</u>
	<u>125,794</u>

Contribution from other units:

Summer tax collection fees	<u>10,684</u>
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Charges for services:

Cemetery fees	2,274
Zoning/Variance/Appeals fees	<u>480</u>
	<u>2,754</u>

Interest and rents:

Interest	<u>3,906</u>
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Other Revenue:

Special assessments	8,150
Cemetery lots/perpetual care	600
Reimbursements	1,574
Other	<u>855</u>
	<u>11,179</u>
Total revenues	<u>\$ 226,457</u>

TOWNSHIP OF FREDERIC

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES

Year Ended June 30, 2008

General Government:

Township Board:

Contracted services	\$ 2,749
Dues and memberships	1,066
Printing and publications	129
Other	2,737
	<u>6,681</u>

Supervisor

Personnel	<u>10,540</u>
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Clerk:

Personnel	13,016
Supplies	1,008
Contracted services	710
Transportation	176
Other	29
	<u>14,939</u>

Board of Review

Personnel	630
Printing and publications	85
	<u>715</u>

Treasurer:

Personnel	13,159
Supplies	2,681
Contracted services	2,220
Transportation	376
	<u>18,436</u>

Assessor:

Personnel	23,700
Supplies	1,047
Contracted services	2,147
Transportation	600
	<u>27,494</u>

Elections:

Contracted services	1,355
Transportation	32
Other	176
	<u>1,563</u>

TOWNSHIP OF FREDERIC

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Year Ended June 30, 2008

General Government: continued

Buildings and Grounds:

Personnel	13,375
Supplies	2,402
Contracted services	1,583
Telephone	2,508
Utilities	4,172
Repairs and maintenance	3,576
Other	259
	<u>27,875</u>

Cemetery:

Utilities	152
Repairs and maintenance	122
Other	415
	<u>689</u>

Total general government	<u>108,932</u>
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Public Works:

Roads:

Repairs and maintenance	<u>200</u>
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Street Lighting:

Utilities	<u>8,932</u>
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Total public works	<u>9,132</u>
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Community and Economic Development:

Planning:

Contracted services	4,382
Mileage	55
Printing and publications	24
Other	70
	<u>4,531</u>

Zoning:

Personnel	25,190
Supplies	390
Contracted services	2,838
Telephone	538
Transportation	203
Printing and publications	313
	<u>29,472</u>

Total community and economic development	<u>34,003</u>
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TOWNSHIP OF FREDERIC

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES (CONTINUED)

Year Ended June 30, 2008

Recreation and Culture:

Recreation and Parks:

Utilities	<u>105</u>
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Library:

Telephone	876
Utilities	3,113
Repairs and maintenance	<u>10</u>
	<u>3,999</u>
Total recreation and culture	<u>4,104</u>

Other:

Insurance and bonds	18,686
Health Insurance	4,947
Employer's share of retirement	3,994
Employer's share of FICA	6,444
Unemployment insurance	<u>292</u>
Total other	<u>34,363</u>

Capital Outlay:

General government	1,473
Community and economic development	1,695
Recreation and culture	<u>520</u>
Total capital outlay	<u>3,688</u>

Total expenditures	<u>\$ 194,222</u>
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TOWNSHIP OF FREDERIC

NONMAJOR GOVERNMENTAL FUND

BALANCE SHEET

June 30, 2008

	<i>Special Revenue Fund</i>
	<hr/>
	<i>Protective Inspection Fund</i>
	<hr/>
Assets:	
Cash and cash equivalents	\$ 15,552
Total assets	<u>\$ 15,552</u>
Liabilities and Fund Balances:	
<i>Liabilities:</i>	
Accounts payable	\$ 990
Accrued expenses	<u>20</u>
Total liabilities	<u>1,010</u>
<i>Fund balances:</i>	
Unreserved:	
Special revenue funds	<u>14,542</u>
Total fund balances	<u>14,542</u>
Total liabilities and fund balances	<u>\$ 15,552</u>

TOWNSHIP OF FREDERIC

NONMAJOR GOVERNMENTAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2008

	<i><u>Special Revenue Fund</u></i>
	<i><u>Protective Inspection Fund</u></i>
Revenues:	
Licenses and permits	\$ <u>18,330</u>
Total revenues	<u>18,330</u>
Expenditures:	
Current	
Public safety	<u>13,300</u>
Total expenditures	<u>13,300</u>
Excess (deficiency) of revenues over expenditures	5,030
Fund balances, beginning of year	<u>9,512</u>
Fund balances, end of year	<u><u>\$ 14,542</u></u>

TOWNSHIP OF FREDERIC

FIDUCIARY FUNDS – AGENCY FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

June 30, 2008

	<u>July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2008</u>
<u>Current Tax Collection Fund</u>				
Assets				
Cash and cash equivalents	<u>\$ 964</u>	<u>\$ 1,983,338</u>	<u>\$ 1,983,078</u>	<u>\$ 1,224</u>
Liabilities				
Accounts payable	\$ 964	\$ 260	\$ -	\$ 1,224
Undistributed tax collection	<u>-</u>	<u>1,983,078</u>	<u>1,983,078</u>	<u>-</u>
 Total liabilities	<u>\$ 964</u>	<u>\$ 1,983,338</u>	<u>\$ 1,983,078</u>	<u>\$ 1,224</u>



REQUIRED COMMUNICATION TO FREDERIC TOWNSHIP IN ACCORDANCE WITH PROFESSIONAL STANDARDS

To the Township Board
Frederic Township

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Frederic Township for the year ended June 30, 2008, and have issued our report thereon dated October 20, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated December 14, 2006, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. The financial statements do not include a Management Discussion & Analysis. You have elected to exclude it because it is not required to be part of the basic financial statements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter. The financial statement now includes the Government-Wide Statement of Net Assets and Statement of Activities.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Frederic Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates may be particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the financial statements.

Disclosures

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures may be particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements, if any.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 7, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Discussions with Management

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Internal Control Matters

In planning and performing our audit of the financial statements of Frederic Township as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Frederic Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control. Accordingly, we do not express an opinion on the effectiveness of the Municipality's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Municipality's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that misstatement of the Municipality's

financial statements that is more than inconsequential will not be prevented or detected by the Municipality's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Municipality's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined above.

Deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above, follow:

Recording, Processing and Summarizing Accounting Data

Criteria: All governmental units are required to have in place internal controls over recording, processing, summarizing accounting data and preparing financial statements. SAS No. 112 requires us to communicate with you about this.

Conditions: As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the recording, processing, summarizing accounting data and preparing financial statements as part of its external financial reporting process. Accordingly, the government has placed reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Cause: This condition was caused by the government's decision that it is more cost effective to have external auditors recommend the necessary adjusting journal entries to its general ledger and prepare the financial statements than to incur the time and expense for the government to perform these tasks internally.

Effect: As a result of this condition, the government lacks internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and instead relied, in part, on its external auditors for assistance with this task.

View of Responsible Officials: The government has evaluated the cost versus benefit of establishing internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and determined that it is in the best interests of the government to rely on its external auditors to recommend the necessary adjustments and preparation of the financial statements.

This communication is intended solely for the information and use of management, Township Board, and others within the Municipality, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Berthiaume & Co.

Berthiaume & Company
Certified Public Accountants
Saginaw, Michigan

October 20, 2008